Cooking Demand
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For the first time in the history of Pakistan, the subsidy expenditure incurred during the outgoing financial year 2011-12 was higher than the total expenditure on defence. WAPDA and KESC cost tax payers almost as much as the Pakistan Army. This single fact explains, what the budget making exercise means to the government. This is a total absence of governance or its paralyses due to the virus of political expediency. After almost defaulting on all budgetary targets for the last financial year, the federal government has announced a spending plan of 3.2 trillion rupees for the financial year 2012-13. Once again, payment of external liabilities during the next year has not been planned. It has not even been mentioned. The ministry of finance is brushing up figures for the International Monetary Fund, which is being sought to comfort the total foreign repayment liability for the next two financial years, which is more than $10 billion. There is no way that Pakistan can afford to pay this huge amount without getting a standby arrangement from the Fund.

Already, the finance minister, Dr. Abdul Hafeez Sheikh, has hinted upon the possibility of going to the Fund for support while the Fund's officials have said that Pakistan's currency, i.e. the Rupee, is about 20% overvalued. Along with other reforms, devaluing of the currency by putting complete reliance on interbank market is the principal step the IMF has put on table. This is to preserve the principal loan that may have come to the State Bank's account if Pakistan enters into another loan arrangement, stipulating structural adjustments at a draconian scale and pace. Nevertheless, without the IMF, the federal government did the same.

In the outgoing financial year, 2011-12, the crisis was at the internal level and burgeoning fiscal deficit was bridged by minting money. Monetary expansion was the answer to the budgetary overshoot made by delaying structural reforms in the name of political expediency. Only the public sector enterprises swallow Rs. 180 billion of tax payers' money; and, this was allowed to happen as the government needs to give employment to those who matter in the election business. According to the written statement issued by the Ministry of Finance at the post-budget news conference, fiscal deficit for the outgoing year had reached 7.4% of the GDP, which is Rs. 1.5 trillion. This includes Rs. 391 billion spent on power sector subsidy debt consolidation and current account deficit. The deficit of the current account at the closing of the year is $4 billion, which is 1.7% of the GDP.
The projections for the current financial year, 2012-13, are even worse. The fiscal deficit has been calculated at Rs. 1.105 trillion, which at the current financial basing is 4.8% of the GDP. The current account is also short of money: The government has to arrange $ 4.8 billion for payment at the external sector, equivalent of which is unlikely to be received. The amount is 1.9% of the GDP. This exactly was the argument of the Federal Statistical Division when it rebased Pakistan GDP to $ 180 billion, down from the previous $ 210 billion, which the IMF had agreed during consultation with the Government of Pakistan, under article 4 of its articles of association. The federal secretary, in charge of the federal statistical division, had to make a public apology by admitting that his methodology of calculation was erroneous. According to the budget schedule, balance of payment will remain under pressure during the current financial year. Accounting everything that comes from abroad, and that too at the projected level, Pakistan needs $ 1.7 billion to keep itself from an external default on payments, i.e. if everything goes well, which is the unprecedented growth in remittances and exports proceeds, together which is more than $ 36 billion. As the growth in imports is rising much faster than the export growths, the current account needs can rise beyond the budgeted projections.

Revenue Blues
On the earning side tax on GDP ratio is talk of the town. Government claims a straight 25% increase in the revenue collection, which includes hold-ups of refunds payable of the ongoing financial year. Also, the bulk of the increase that came was in the lieu of petroleum levy known as Petroleum Development Surcharge due to the nominal increase that came in after adding inflation to the number.

Tax revenue does not cover current expenditure, even before the transfer to provinces take place. The revenue deficit last year was Rs. 460 billion, which forced the government to spike up on borrowing. However, public debt to GDP ratio is shown at 50% after monetizing the excessive borrowing, which is primarily responsible for inflation and poor credit uptake by the private sector. The public sector has crowded out the private sector in the credit market, of all kinds, including the private banks, who would prefer loan forwarding under a sovereign guarantee, rather than preparing a customer risk profile, which needs due diligence.

Once the provincial share is factored out from the federal revenue projection for the current year, the net revenue receipts, both tax and non-tax together, barely covers expenditure on defence and subsidies and payment of interest on loans. During the outgoing year, the net amount was not even enough for the these three heads. The bank borrowing alone during the financial year 2011-12, was as high as the net revenue receipts. The government relied on capital receipts arranged from market operation like auctioning of treasury bills and international bonds, like Sukuk.
The government has planned almost 25% increase in the income tax collection for the current financial year, when total number of registered income tax payers is just three million. Without a spurt in economic growth it would be difficult to increase collection in the sales tax. Capital gains on property seem to be a good step, which has been taken at a wrong point, when sale/purchase in property due to uncertainty and overall poor macroeconomic conditions are very low.

The government has silently introduced some new tax withholding measures, primarily targeting the informal sector. The government has made it mandatory for the manufacturers, dealers, distributors and the whole sellers to withhold 1% of the gross sales proceeds, as withholding agent, which will be adjusted at the time of fixing the final liability. The bulk of the unregistered traders performing in the informal sector are unlikely to come forward for later adjustment. This is a sizable move, and can act as a fish net.

Development Sector
For the first time in many decades, the public sector development is being funded by the banking sector, rather than the international financial institutions (IFIs). Whatever development has been planned is being financed by the expensive banking loan. It used to be the development assistance usually financed by the development assistance provided by the multilateral donors. Obviously, this year again the development expenditure will be less than the commercial bank borrowing. The total projected commercial bank borrowing is Rs. 483.810 billion, which is higher than the federal PSDP. It was Rs. 939.196 billion last year.

On top of everything, government could not abide by its own policy announced in the new framework for growth. The PSDP has substantial allocations for the physical infrastructure and the soft side of development has been ignored. Also, negligible allocation has been made for construction of hydroelectricity projects, like Bhasha dam. With less than Rs. 6 billion allocated for the acquisition of land for the project this year, it will take at least a century to build it.

Postscript conclusion
This budget announcement was to fulfil the constitutional requirement only, the real budget with sweeping spending cuts on development, monetary policy adjustments and currency revaluation is being prepared evasively. The government has already conveyed to the International Monetary Fund that Pakistan needs a $3.4 billion standby to breathe to avoid a structural default.

Budget and Objectives of Pro-Poor Economic Growth?
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The budget 2012-13 was termed by the government's economic managers as a pro-investment and pro-poor budget. One is surprised to note that the same conclusion was presented last year and the year before that. However Economic Survey 2011-12 reports that investment to GDP ratio has fallen to 12.5%—one of the lowest levels seen in recent past. Consumer prices remained in double digits and under pressure from the ballooning fiscal deficit. The economic growth rate which was first announced at 2.8% as per decision of National Accounts Committee was somehow changed to 3.7% upon concerns raised by the top economic management. So as we go forward we literally have no idea what specifically is the growth rate of this economy and what is the magnitude of poverty.

Before moving on to a formal analysis of the budget let us ask ourselves what exactly is the budget exercise supposed to achieve? At the current juncture one would like to address three main issues, namely how the budget will: a) support economic growth b) help in redistribution of resources and c) achieve poverty reduction objectives.

For revival of economic growth in the country, the Prime Minister chaired the National Economic Council meeting in May 2011 which approved the Framework for Economic Growth formulated at the Planning Commission with consultations from wider stakeholder community. The growth strategy envisioned that government needs to improve governance in key sectors such as energy, clear goods and factor markets of non-competitive elements, increase openness in investment and trade regimes, improve connectivity between people and places, and address zoning and regulations in urban spaces for promotion of domestic commerce. It was envisaged that as a result of the above mentioned entrepreneurial activity will flourish which in turn will imply increased investment, growth and employment opportunities.

However this year's budget is reflective of very little what is documented and approved in the Framework for Economic Growth. While the local investors after experiencing persisting account of poor governance have started establishing their incremental investment in economies such as Malaysia and Bangladesh, foreign investors see a heavy role of state in markets and shy away from investment in otherwise lucrative
sectors such as power and fuel. The budget remains a mere accounting exercise and most of the assumptions for inflow of resources remain disputed. For example the foreign receivables claimed in last year's budget such as proceeds from coalition support fund, Etisalat, 3-G, Eurobonds and privatization have not materialized. Unfortunately this year's budget has been based on similar uncertain assumptions.

Under such depressed milieu of low domestic and foreign investment it makes sense for government to bring in stimulus through public investment. However, such an investment is heavily dependent on government’s ability to raise taxes. Given the importance of a populist budget for the election year, government has made several relaxations in the incidence of taxation terming this to be in favour of private investment. The income tax exemption limit has been enhanced to Rs. 400,000, tax slabs have been reduced to 5 in number, only portion of income beyond a certain bracket will be chargeable under tax, turnover tax rate and withholding tax on cash withdrawals has been rationalized, higher rates of sales tax have been scaled to 16%, highest tariff rate has been brought down from 35 to 30% and there is promise of phasing out excise duty in the next two years.

A couple of things need to be mentioned here. First, the government has not removed or rationalized any distortionary taxes which are hurting entrepreneurial activities and economic growth. Taxes such as turnover tax, withholding tax, and even excise duty are unfair and create distortions for producers as well as consumers. They involve substantial transactions costs which are beyond the tax revenue gain. Second the government has not refrained from sector picking in deciding whom to provide relaxation in this year’s budget. For example customs duty has been relaxed on several items through SRO culture. It is long known that SROs are used only to give favour to certain lobbies that have access to power corridors. The current budget has given relief in customs duty to importers of for example hybrid vehicles, power generators, and pharmaceuticals based on no clear economic rationale. Third, there is no move to bring the various forms of new incomes in to the tax net. There is evidence and rationale to at least keep the discourse active on taxation of agriculture sector, new forms of services and high-end remittance receipts. Fourth, no responsibility has been assumed regarding the failure to curb tax evasion and relaxed approach towards general broadening of base and widening of tax net.

With a dismal tax to GDP ratio the government needs to be extremely prudent in the investments its makes for managing its administrative affairs and kick start the economy. However, on the expenditure side there is limited manoeuvring capacity of the government. With around 30% allocated for debt servicing, 18% for defence, and rest for civil administration, pensions, and grants very little is left for public investment for economic growth and targeted subsidies for the poor.

The Rs. 360 billion PSDP allocation also needs to be revisited in terms of its actual growth impact. Around 96% of these funds will go to on-going projects which have been suffering from time and cost lapses. The allocation for energy sector e.g. Rs. 69 billion for power and Rs. 115 billion for WAPDA seem unreasonable without any serious governance reforms in energy sector. Any amount given to these sectors will imply strengthening status quo in energy crisis. Once again the government has deviated from its own Framework for Economic Growth which begs to relatively invest more in software (management capacity) rather than hardware (brick and mortar infrastructure) of economic growth.

The budget document indicates that expenditures will be in excess of revenue collection in turn resulting in a fiscal deficit of Rs. 1105 billion (almost 5% of GDP).
This deficit is envisaged to be financed through external loans of Rs. 387 billion, domestic bank financing of Rs. 484 billion and domestic non-bank financing of Rs. 487 billion. A couple of repercussions of the above mentioned financing arrangement need to be discussed at this point.

First, a fiscal deficit of such magnitude will threaten the ad hoc relief provided to salaried class as deficit-induced inflation will eat away the additional amount of relief. Second, bank financing by the government will imply lesser amount available for credit to private sector. The heavy presence of government in financial markets will crowd out the private investors. Third, the relationship between the Finance Division and State Bank of Pakistan will once again remain thorny as the latter will be expected to stand ready for printing of money in case fiscal deficit exceeds the envisaged level (as seen in previous years). Finally, the limits to which monetary policy can accommodate fiscal expansion will once again be tested.

It is surprising to see that with such high borrowing requirements the budget is silent on any effective debt reduction strategy. With overall public debt hovering around 60% of GDP and real growth rate of public debt around 2.5%, no debt policy has been provided by the Finance Division. It may be noted here that such analysis will become imperative if rising oil prices and related pressures on external account force Pakistan to go back to IMF for another Standby Arrangement (something which has been hinted by the Finance Division on various occasions). Needless to say that with another round of IMF loan Pakistan will undergo series of painful adjustment policies particularly in energy sector and taxation. This while contracting the fiscal deficit has the potential to keep inflation higher.

Finally we carried out an exercise post-budget in order to quantify the direct costs of mis-governance or inefficiencies due to government operations. The methodology incorporated amongst other items subsidies to energy sector, interest payments particularly on domestic debt instruments, inefficiencies in running of civil administration, lack of reforms which keep tax evasion high, and multiplier effects of crowding out due to government’s borrowing. Our conservative estimates indicate an annual direct cost of governance related inefficiencies at US$ 21.2 billion. This inefficiency has been promised by the government in its budget document 2012-13.

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**Budget 2012-13 Fails to Address Poverty**

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A large chunk of population in Pakistan is living below the poverty line. According to the Benazir Income Support Program (BISP), 45.7% people (approximately 82 million) in Pakistan are living below the poverty line. Out of these 45.7% people, 36.6% million (approximately 65 million) of the total population are living in chronic poverty.

At the end of fiscal year 2010-11, the data from labour force survey shows that 3.4 million people (1.55 million in urban and 1.85 in rural areas) are unemployed in Pakistan and the data from current economic survey of Pakistan shows that till December 2011 the total number of unemployed work force was 3.53 million, the unemployment rate was 5.95% in December 2011 which is same compared with the preceding period of last fiscal year.

The current government is of the view that it will reduce the unemployment level and eradicate the poverty level in Pakistan and for that purpose in the budget 2012-13, the government allocated Rs. 9.5 billion for provision of 100,000 internships to the unemployed educated youth of Pakistan under the National Internship Program (NIP) in public as well as private sector. This is an appreciable step by the current government, but the question is when these 100,000 young graduates will complete their internships, is there any guarantee from the current government that they will get permanent jobs? Will the next government have the capacity to adjust these 100,000 interns in different sectors?

As a way of giving relief to the labour force, from 1st May 2012 the federal government has increased the minimum wage of the labour force in Pakistan from Rs. 7,000 to Rs. 8,000 rupees. However, the labourers considered it demeaning, as in the current scenario one cannot run the budget of any house in Rs. 8,000 rupees in a month. Inflation rate is very high, the prices of basic necessities are increasing including electricity, CNG, and petroleum resulting in the increase of transportation charges. Children’s education related expenses are also increasing due to the inflation. So in such circumstances, how can a family manage all expenses in just Rs. 8,000? Does the current government have the answer to this question?

Another step taken by the current government to reduce the poverty level in the budget 2012-13, is an
ad-hoc increment relief of 20% salary of the government employees, which is also a minor step as the government employees were demanding revision of scales with a 100% increase in basic salary. As a matter of fact, this increment along with increment in wage of labour is very low. According to this increment, the BPS-1 employee will receive an increase of only Rs 960 per month. The government employees have rejected this increment as they are of the view that it is very difficult to manage their current expenditures in the current salary and it will remain difficult to manage with the increment as well.

The Benazir Income Support Program (BISP) was started by the PPP government in 2008 with the primary objective of providing immediate relief to the poor. Millions of families are being paid cash assistance of Rs. 1,000 per month at their doorstep. The cash assistance is provided to those families who have the overall monthly income of Rs. 5,000. BISP is also running some other programmes including Waseela-e-Rozgar, Waseela-e-Sehat and Waseela-e-taleem. Under these programmes, at minor levels, people are getting the facilities of education, health and employment. In the current budget, Rs. 70 billion are allocated for BISP and it is expected that till the end of this government more families will benefit from BISP. The BISP is a good initiative and to some extent is beneficial for the poor people but one should not forget the fact that in the past when the governments ended, unfortunately their programmes and projects also ended. So nobody knows the future of BISP as well as of the millions of poor families which are now being supported by BISP.

In the current budget the overall fiscal deficit is estimated at Rs. 1105 billion. Financing this huge deficit, the government will rely on internal and external sources. With regard to internal sources, it is said by the Finance Minister that the government will not borrow from the State Bank of Pakistan (SBP). However, the experts are of the view that it is not possible that the government will not borrow from SBP. The SBP will provide loans to the government through deficit financing. The deficit financing will in turn increase the inflation and that in turn will reduce the purchasing power of the people. In other words the poverty level will increase.

On the broader aspects, poverty cannot be alleviated by starting the programmes like BISP, or giving minor relief to the poor people of the country. Poverty can be alleviated through building efficient labour markets which can promote job creation, and a provision of high quality education opportunities to the youth on a permanent basis.

Unfortunately in Pakistan, the policies are made on a short term basis. Resultantly poor governance is one of the main reasons of poverty in Pakistan. Like the previous budgets, the current budget is also unable to provide full relief to the poor people of the country. To eradicate poverty from Pakistan, the country needs to focus on reducing the energy crises, elimination of corruption, provision of technical education, investment in long term employment generating projects, and reduction in non-development expenditures.
Public Infrastructure in Pakistan
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As a developing country, Pakistan has suffered severely from infrastructural bottlenecks. According to the Infrastructure Task Force of the State Bank of Pakistan, the country loses about 4 to 6% of its GDP due to lack of infrastructure, while logistical barriers increase the cost of production of domestic goods by about 30%. The Global Competitiveness Report 2011-12 (GCR) ranks Pakistan 115 (out of 142) in terms of infrastructure. According to the GCR, inadequate supply of infrastructure is one of the most problematic factors for doing business in Pakistan. Data from the Economic Survey for FY2011-12 shows that the transport, communications and storage sector showed dismal growth of just 1.9% during the year. Electricity and gas distribution fell sharply by -7.2% during 2010-11, and then further -1.6% during 2011-12.

Pakistan also fares poorly relative to comparator countries in the region with respect to infrastructure. Considerably lower than most of its regional competitors, Pakistan is only ahead of Bangladesh, as the following table shows. Pakistan's score in the World Bank's Logistics Index Benchmark is even less than that of Bangladesh.

The government shrank the size of Public Sector Development Program (PSDP) outlays following the 2010 floods, which clearly showed in slower infrastructure development in most of the associated sectors. Under the new budget for FY2012-13, Rs. 84 billion have been allotted to transport and communications.

Roads
The National Highway Authority (NHA) is reported to have over 65 development projects that are currently underway and was allotted a reduced amount of Rs. 25.9 billion for FY2011-12, leaving only those projects viable that were near completion. Additionally, Rs. 41 million were allotted to the Commerce Division for the Trade Transport Facilitation Unit (TTFU-2) project. The World Bank has also funded up to Rs. 600 million for completion of TTFU. The government has allotted Rs. 51 billion to NHA under the PSDP for FY2012-13.

Railways
Pakistan Railways (PR) has been suffering immensely for the last two years, posting a negative 19.1% change in earnings during the year 2010-11. According to Kaiser Bengali, Former Adviser to the Government of Sindh, PR continues to suffer due to the lack of freight business available to it, which has mainly shifted to the road transport sector. More freight business should be made available to PR if its financial position is to be improved. Like the NHA, PR also received a reduced allocation of Rs. 7.07 billion. Under the NTC, the government plans to corporatize PR on the basis of Public-Private Partnership (PPP). The Karachi Circular Railway (KCR) project which attracted Japanese investment is yet to start operations, despite claims of being operational by 2011.

The government has allotted an amount of Rs. 22.8 billion to the Railways Division for the upcoming year.

Ports and Shipping
The ports and shipping sector was appropriated an amount of Rs. 519 million for 2011-12. An additional amount of Rs. 727 million was proposed for projects at Gwadar. Under the Planning and Development Division, the government also allotted Rs. 82 million for the National Trade Corridor Improvement Program (NTCIP) to increase commercial efficiency in the country. An amount of Rs. 784.3 million was also apportioned to Ports and Shipping for FY2011-12 under the NDP.

The Ports and Shipping Division has been allotted Rs. 325 million under the PSDP for FY2012-13.

TELECOM AND ICT:
Pakistan experienced a sharp fall of investment as well as earnings in the telecom industry for the year 2010-11, which came down to Rs. 495.8 million from Rs. 1,137.5 million during the previous year. This was primarily because of the deteriorating law and order conditions in the country that have severely affected

<table>
<thead>
<tr>
<th>Country</th>
<th>Global Rank (out of 142 countries)</th>
<th>Infrastructure Index</th>
<th>Quality of overall infrastructure</th>
<th>Quality of road infrastructure</th>
<th>Quality of railroad infrastructure</th>
<th>Quality of port infrastructure</th>
<th>Quality of air transport infrastructure</th>
<th>Quality of electricity supply</th>
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</thead>
<tbody>
<tr>
<td>China</td>
<td>44</td>
<td>69</td>
<td>54</td>
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<td>Egypt</td>
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<td>52</td>
<td>103</td>
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<td>India</td>
<td>89</td>
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<td>Pakistan</td>
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<td>85</td>
<td>126</td>
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<tr>
<td>Bangladesh</td>
<td>134</td>
<td>129</td>
<td>111</td>
<td>73</td>
<td>113</td>
<td>117</td>
<td>135</td>
<td></td>
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</table>
not only foreign but also domestic investment. Under the PSDP, the IT sector was apportioned an amount of Rs. 2.61 billion for FY2011-12. Another Rs. 2.44 billion were allotted for projects under the supervision of SUPARCO, SCO, and NTC. The ICT Division has been allotted Rs. 787.396 million for FY2012-13 under the PSDP, of which Rs. 409.301 million is for telecom and the remaining for the IT sector.

**Power**

Pakistan continued to suffer immensely in the power sector, with industries and households facing up to 12-14 hours daily average load-shedding. While the government claims to have added 3500MW to the system, the power crisis in the country is estimated to cost around Rs. 380 billion/year and leads to under-utilization of up to 4000MW of installed capacity. The power sector has been allotted a total outlay of Rs. 145.15 billion for the year 2012-13 under the PSDP. Additionally, Pakistan Atomic Energy Commission (PAEC) has been allotted Rs. 39.16 billion, while Pakistan Nuclear Regulatory Authority has been apportioned an amount of Rs. 400 million for FY2012-13. The government also plans to spend up to Rs. 28 million on the development of a National Integrated Energy Modeling System in consultation with the Asian Development Bank (ADB). The government has also allotted an amount of Rs. 48 billion to the water sector.

**Fuel**

Pakistan faces a severe fiscal constraint due to heavy subsidization of key energy fuels. For example, the government continues to subsidize the high input cost to the power sector as global oil prices fluctuate. Being a developing economy, Pakistan has also been witnessing a rise in consumption levels of all the key fuels. The government has been actively promoting the use of LNG and LPG as alternative fuels over the last couple of years, while it still tries to use the abundant reservoirs of coal in the country. The government has allocated Rs. 268.086 million to petroleum and natural resources under the PSDP for FY2012-13.

**Conclusion**

Despite having a liberal foreign investment regime, Pakistan continues to suffer from lack of investment in this key sector due to worsening security conditions. Moreover, corruption runs high due to bureaucratic nepotism and non-transparency in procurement processes, thereby impeding progressive growth in the industry and negatively affecting the pace of infrastructure development in the country. The government should also take into account the rising trend of sustainable development and invest in R&D in alternative and renewable energy sources to tackle rising energy needs of the 21st century.

Devolution or Chaos: Education and health in the PSDP 2012-13

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Along with extremely poor performance on the indicators of human development, Pakistan continues to neglect education and health sectors. Public investment in both education and health is too low to be compared with the regional economies. Various policies and plans have aimed at increasing resources for education up to 4% of GDP; however, none of these commitments are ever realized. Instead, spending on education has consistently declined. Pakistan spent 2.4% of GNP on education in 2006-07 and 0.7% of GNP in 2010-11. The story of health is even more depressing. Historically, scarce spending on health, 0.7% of GNP in 2002-03, drastically fell to 0.2% in 2010-11.

As a consequence of the persistent neglect of human development, Pakistan hosts the largest number of out-of-school children in the world after Nigeria; and together with India, makes the region of the greatest number of illiterates in the world. It also performs very poor on almost all indicators of health and nutrition. Alongside high child and maternal mortality, it is one of the four countries of the world that have failed to eradicate Polio.

Shamefully low resources are allocated to the development of human capital at a point in the history of Pakistan when the country is experiencing youth bulge - a phenomenon that takes place only once in the history of nations. Due to mortality decline followed by a lagged decline in the fertility, the proportion of the youth and children in overall population is the greatest in the national history. Youth bulge presents the greatest opportunity for Pakistan; appropriate levels of investment in human capital - in education, health and nutrition - would yield a highly productive labour force that could put the dwindling economic growth on the rise. Investment in human capital is thus to determine the future of Pakistan economy. The youth bulge also presents the greatest threat to Pakistan: if the investment in human capital is neglected or postponed, the poor human resources would be a great burden on the economy, depressing Pakistan's long term prospects for economic growth. It is unfortunate that Pakistan is making the choice which not only compromises the human development but also undermines the prospects for its long term growth. While the resources allocated for the provision of basic
public services are scarce, the sanity to manage these resources is virtually non-existent. In the post-18th Amendment scenario, when most of the functions related to the delivery of public services are devolved to the provinces, it is difficult to comprehensively analyze Federal Budget 2012-13 on education and health until all the provinces present their own budgets. Nonetheless, a careful analysis of the Public Sector Development Programme 2012-13 of the federal government presents a shocking picture of public sector governance at the federal level. The devolution resulting from the 18th Amendment led to the abolition of several ministries such as the Ministry of Education, Ministry of Health and Ministry of Population Welfare, and all the functions of these ministries were to be transferred to the provincial departments. However, as the PSDP 2012-13 outlines, the functions of one ministry are replaced by countless ministries and divisions at the federal level. Instead of reforming for specialization, Pakistan’s civil service continues to be ‘horizontal’ and bureaucrats are trained to be the ‘jacks of all trades’, struggling to control projects of all kinds regardless of their training capacity and the core organizational mandate.

The PSDP 2012-13 particularly in relation to education and health reflects the political economy civil service in Pakistan – the battle for control over scarce resources. The tables presented below reflect how scarcely resources for education and health are distributed among competing organizations raising several questions on the effectiveness of the state. One struggles to find examples of other countries where organizations like ‘Economic Affairs Division’ and ‘Finance Division’ conduct training for elementary school teachers. It is hard to grasp why organizations like ‘Inter-Provincial Coordination’ are assigned to implement the projects for the provision of quality education. It is also beyond conception that in the presence of Higher Education Commission, why ‘Planning and Development Division’ will upgrade a university and ‘Science and Technology Division’ will establish new departments at the universities. Although it is not a military regime, ‘Defence Division’ will establish colleges and distribute scholarships among students in the year 2012-13. Even the ‘Interior Division’ is assigned to establish computer literacy centres by the PSDP.

As in table 1, PSDP 2012-13 distributes resources for education amongst 13 different divisions and departments at the federal level when education is declared as provincial subject. The table also provides the list of education projects that these Divisions will implement in the year 2012-13.

<table>
<thead>
<tr>
<th>No.</th>
<th>Ministry/Division</th>
<th>Educational activities/projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Capital Administration and Development Division</td>
<td>Capital Administration and Development Division&lt;br&gt;Provision of computer labs in educational institutes in Islamabad&lt;br&gt;Strengthening of MCCF-7/4, Islamabad&lt;br&gt;Establishment of an FG degree college for women at Baharakau&lt;br&gt;Computerization of National Braille Press&lt;br&gt;Construction and renovation of FG Girls Secondary School in Dhoke Ganga, Islamabad</td>
</tr>
<tr>
<td>2</td>
<td>Defence Division</td>
<td>Establishment of FG degree College for Boys at Nowshera, Award of Merit Scholarship to the students of IGBI</td>
</tr>
<tr>
<td>3</td>
<td>Economic Affairs Division</td>
<td>Capacity Building of Teachers Training Institutes of MoE and Training of Elementary School Teachers in ICT, FATA, C&amp;AIK</td>
</tr>
<tr>
<td>4</td>
<td>Finance Division</td>
<td>4 separate projects on Capacity Building of Teachers Training Institutions &amp; Training of Elementary Schools Teachers in Punjab, Sindh, KPK, and Balochistan</td>
</tr>
<tr>
<td>5</td>
<td>Higher Education Commission</td>
<td>Several projects related to: National and Foreign scholarships, faculty development programmes, establishment of new campuses, departments blocks, up-gradation of infrastructure, provision of technological facilities, international linkages, construction of sports and other facilities at universities</td>
</tr>
<tr>
<td>6</td>
<td>Industries Division</td>
<td>Up-gradation of NFC Institute of Engineering and Technology Facilities&lt;br&gt;Revival of old arts institute of Pakistan, Wazirabad</td>
</tr>
</tbody>
</table>
Education is not an exception. The state of healthcare provision is also the victim of the same misgovernance. As it appears in Table 2, as many as nine different federal divisions are assigned to implement projects related to healthcare. Cabinet Division will manage all the projects related to the National Institute of Health alongside the Federal Drugs Surveillance Laboratory. The Capital Administration and Development Division (CADD) will implement projects related to the major hospitals in Islamabad. Finance Division will construct new hospitals in the country and upgrade the existing.

Planning and Development Division will manage 17 vertical health programmes in the country. Housing and Works Division will construct new hospitals in Lahore and Gujranwala. Interior Division will run the population welfare programme related activities in Islamabad alongside constructing a hospital in Gilgit. Pakistan Atomic Energy Commission will implement health projects related to radiation. Table 2 presents the list of projects to be implemented by the nine different divisions in the post-18th Amendment scenario.

Table 2: Provision of healthcare at the federal level: No. of actors in the post-18th amendment scenario

<table>
<thead>
<tr>
<th>No.</th>
<th>Ministry Department</th>
<th>Health activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Cabinet Division</td>
<td>Strengthening of HIS in Pakistan through NHIRC, Federal Drugs Surveillance Laboratory, Improvement of buildings and equipments for the manufacturing of measles vaccine at NIH, Establishment of Bio-safety level 3 laboratory - Public Health Laboratories Division, NIH, Establishment of Allergy Center with diagnostic, curative and research facilities at NIH, Establishment of reference laboratory for strengthening of food quality control system at Nutrition Division, NIH, Rehabilitation of NIH Campus.</td>
</tr>
<tr>
<td>No.</td>
<td>Division</td>
<td>Projects/Programs</td>
</tr>
<tr>
<td>-----</td>
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<td>----------------------------------------------------------------------------------</td>
</tr>
</tbody>
</table>
| 2   | Capital Administration and       | Establishment of cardiac surgery facility at PIMS  
|     | Development Division             | Safe blood transmission project- Islamabad  
|     |                                  | PM's special initiative for management of Dengue Fever and pollen allergy in  
|     |                                  | Islamabad  
|     |                                  | Construction of nursing school at FGSH  
|     |                                  | Construction of female doctors hospital at PIMS  
|     |                                  | Construction of male doctors hospital at FGSH  
|     |                                  | Construction and renovation of nursing hospital at PIMS  
| 3   | Finance Division                 | Up-gradation of cancer treatment facility at Multan  
|     |                                  | Sheheds Benazir Bhutto Mother and Child Health Care Centre Nawabshah  
|     |                                  | Medical equipment/ambulance for DHQs in KPK  
|     |                                  | Sheheds Benazir Bhutto Hospital in Peshawar  
|     |                                  | Pakistan Institute of Cardiology Center Quetta  
| 4   | Housing and Works                | Construction of cat-3 dispensary for TB departement Upper Mall Lahore  
|     |                                  | Construction of Rural Health Center at Ladhewala Warrach Gujranwala  
| 5   | Information Technology and Telecom Division | HMIS at Sheikh Zaid Hospital Lahore  
|     |                                  | Three separate projects: MOH-Health NET Telemedicine Project for rural remote areas (at Holy Family Rawalpindi, Mayo hospital Lahore, and Jinnah Post-graduate Medical College, Karachi)  
|     |                                  | E-service for Mo Population Welfare throughout Pakistan  
|     |                                  | E-service for Mo Health throughout Pakistan  
| 6   | Interior Division                | Population welfare services in Islamabad District  
|     |                                  | National Programme for Family Planning and Primary Healthcare ICT  
|     |                                  | Regional Training Institute H-6 Islamabad  
|     |                                  | Construction of hospital building for GB Scouts Garrison at Minawar Gilgit  
| 7   | Pakistan Atomic Energy Commission | Benazirabad Institute of Nuclear Medicine & Radiotherapy  
|     |                                  | Establishment of National Institute of Lasers and Optronics (NILOP),  
|     |                                  | Bannu Institute of Nuclear Medicine and Radiotherapy  
|     |                                  | Swat Institute of Nuclear Medicine and Radiotherapy  
|     |                                  | DI Khan Institute of Nuclear Medicine  
|     |                                  | Gujranwala Institute of Radiotherapy and Nuclear Medicine  
| 8   | Planning and Development Division | Seven Population Welfare Programmes of Punjab, Sindh, KPK, Balochistan, GB, AJK, and FATA  
|     |                                  | National Maternal Neonatal and Child Health Programme (MNCH),  
|     |                                  | National Programme for Family Planning and Primary Healthcare  
|     |                                  | Expanded Programme on Immunization (EPI), Control of Diarrhoeal Diseases (CCD), NIH Islamabad  
|     |                                  | Prime Minister's Programme for Prevention and Control of Hepatitis  
|     |                                  | National Programme for Prevention and Control of Blindness  
|     |                                  | Enhanced HIV/AIDS Control Programme NIH  
|     |                                  | National TB Control Programme  
|     |                                  | Strengthening National TB Control Programme by ensuring uninterrupted drug supplies  
|     |                                  | Roll Back Malaria Control Programme  
|     |                                  | National Programme for Prevention and Control of Avian Pandemic Influenza  
| 9   | Professional and Technical       | Improving Human Development Indicators in Pakistan Throughout Pakistan Government of Pakistan  
|     | Training Division                |                                                      |

The PSDP 2012-13 presents a total chaos when it comes to the provision of education and healthcare. The thinly distributed resources among competing groups of bureaucrats is bound to have far reaching impact on the state of education and healthcare, over and above the impact of scarcity of these resources. Jacks of all trades are masters of none; the efficiency cost of such plethora of actors in the provision of basic services with overlapping roles is, inevitably, alarmingly high. At the top of every thing, there is no single actor at the federal level to be stayed accountable for the education and health outcomes in the country. There is no single entity to pull all the functions together, set the targets holistically and reflect upon its success and failures. Such a pathetic state of public sector governance reflects upon the fragility of the state. If Pakistan has to take advantage from the youth bulge by efficiently and appropriately investing in human capital and avoid turning this ‘opportunity’ into ‘threat’, civil service has to put its house in order and civil servants have to sacrifice their struggle to control the projects. There is instead a great need for specialization amongst public sector organizations to efficiently manage the already scarce resources.
What the Budget will do for Pakistan
Dr Abid Qaiyum Suleri
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The people and the government of Pakistan are going through troubled times and the forthcoming budget would be yet another manifestation of the same. The budget has lost its relevance for many people, who are more concerned about prices of electricity, gas, petroleum products, food items, etc. None of these are part of the federal budget anymore. Independent regulatory authorities (that are highly politicized) determine energy prices, whereas prices of commodities are determined by (highly distorted) markets. Thus, the budget cannot address the problems of the masses. On the other hand, the PPP-led government is also losing its popularity due to the economic miseries being faced by the people of Pakistan. Hence ours is a classic lose-lose situation where both the people as well as the government of Pakistan seem to be the net losers.

If the people of Pakistan were really meant to suffer, then it would have been better to implement the so-called 'home grown agenda' that Pakistan agreed with the IMF during the last Stand-By Agreement (SBA). Bringing about power sector reforms, restructuring state-owned enterprises, documentation of the economy through the reformed general sales tax and conversion of non-targeted subsidies into targeted subsidies would not only have brought macroeconomic stability in the country, but would also have pleased the IMF, whom we may have to contact for another SBA very soon.

Budget preparation in itself is an extremely tough exercise, especially when in the current fiscal year, almost all economic targets, including economic growth, investment, saving, exports, imports, tax to GDP ratio, current account deficit, inflation and fiscal deficit will not be met. Fiscal deficit for the current year would be around 8%, which is double the target of 4% set for the period. The country is also facing a current account deficit and a balance of payments problem. In the wake of expensive import of oil, edible oil, fertilisers and repayment of $1.2 billion to the IMF, our foreign exchange reserve dropped from $14.8 billion at the end of June 2010-11 to $10 billion by the end of current fiscal year. The current account deficit may shoot up to $4.5 billion against an official forecast of $1.4 billion. Moreover, our performance in the energy sector is extremely disappointing. Energy has not only become expensive but is simply not available and the existing energy mix is highly skewed towards thermal power, which may be a good option for the oil-rich Gulf countries but not for a cash-strapped Pakistan.

Ideally, the budget should take care of these imbalances. The Public Sector Development Program (PSDP) in the budget is the main instrument to channelise funds for the socioeconomic uplift of the country. In fact, the PSDP is a medicine, policymakers are the physicians and the prescribed medicine is simply not meant to treat our problems so the end result is more pain and agony for the patient (i.e. the people of Pakistan) waiting for some relief. This is not something peculiar to the current government only, but rather it is a systemic problem that we have been seeing for many decades.

Let us review the priority areas for four vital ministries: human rights, climate change, food security, and petroleum and natural resources. In order to improve the situation of human rights, the total budget of Rs30 million would be spent on the construction of two hostels in Islamabad for working women. There is a forecast for floods during the monsoon but none of the Rs150 million schemes from the ministry of climate change cater to disaster preparedness. Further, Rs 200 million would be spent on constructing a petroleum house out of the Rs 235 million PSDP budget for the ministry of petroleum and natural resources. The Annual Plan Coordination Committee turned down the prime minister's instructions to allocate funds for a Zero Hunger Programme, under which children in the most food insecure districts were to be provided free lunch at public schools and special ready-to-use nutritious food supplements were to be distributed among breastfeeding mothers and pregnant women in these districts.

This is how we are working for pro-poor growth in an election year. The federal budget may not provide any concrete answer to the plight of common Pakistanis either, but the minimum we expect in the run-up to the election is a commitment from political forces that the people's agenda is close to their hearts.

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